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TODAY

NEWS MONDAY

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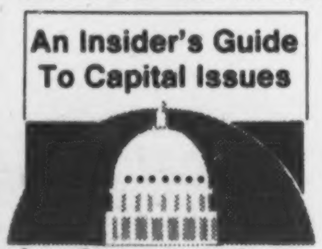

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The bottom line is that people realize that the words federally insured mean just that. One way or the other, the federal government will stand behind that insurance.

Kenneth McLean of the Senate Committee on Banking, Housing, and Urban Affairs on consumer confidence in FSLIC [Page 1]

Unquote

US Urges Use Of Surplus for Farm System

Administration Resists Tapping Treasury Funds

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — The Reagan administration, eager to block the troubled Farm Credit System from tapping Treasury funds, is calling for legislation that would free up $1.2 billion of capital that it says is already available to the system.

At the same time, the administration is lobbying against a bill that would create a secondary market for farm mortgage loans. The secondary market, as it is being discussed on Capitol Hill, would probably take advantage of guarantees from the Farm Credit System.

The secondary market for farm loans is a high-priority item for bank trade groups, including the American Bankers Association and the Independent Bankers Association of America.

The Farm Credit System, which holds nearly a third of the nation's agricultural debt, has rolled up $4.6 billion in losses over the past two years. Although the red ink slowed in the first quarter — the system lost $155 million, compared with $206 million a year earlier — the system's governing agency estimates it will lose from $2 billion to as much as $11.7 billion by 1994.

Last week, the Farm Credit System asked a skeptical and budget-conscious Congress for an appropriation that would make $6 billion available to it through a line of credit to the Treasury.

The credit line was authorized in the last Congress, but it requires that the Farm Credit Administration, which oversees the system, certify that the

Administration: Page 26 ➸

Survey Finds Most Americans Still Have Confidence in S&Ls

By LAURA GROSS

NEW YORK — Despite a raft of publicity about thrift failures and the ailing Federal Savings and Loan Insurance Corp., most Americans seem to have retained their confidence in savings and loans.

A nationwide survey commissioned by the *American Banker* finds that more than eight out of ten people say money kept in savings and loans is safe, compared with just over one in ten who say it is not.

Sixty-four percent of those polled say they have just as much confidence in the safety of savings and loans as they do in commercial banks. That's essentially the same percentage that rated banks and savings and loans equally two years ago in a similar survey commissioned by the newspaper.

AN **American Banker** SURVEY

The earlier survey, conducted in July 1985, found that 65% of the public had equal confidence in banks and savings and loans. Because of a possible sampling error of plus or minus three percentage points in such national surveys, the responses of consumers in the two polls are considered identical.

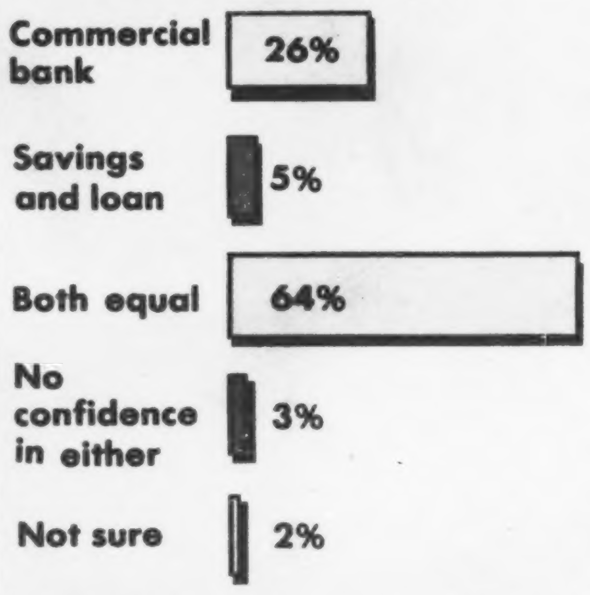
The level of public support has held up even though a record number of savings and loan associations went out of business or were merged into healthier counterparts during the last two years.

Also, it appears that the average American is not rushing to move his money out of a savings and loan association and into a commercial bank. Only 4% of a sample of savings and loan customers who are aware of the problems of S&Ls and who judge those problems to be serious say they have moved any money into a commercial bank because of their concerns.

These are among the findings of a nationwide telephone poll of 981 con-

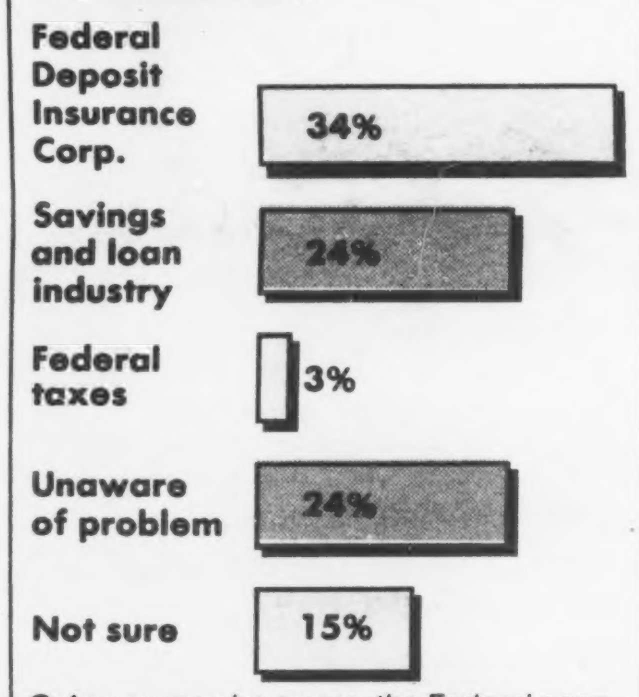
Survey: Page 32 ➸

Where Do You Have More Confidence Keeping Your Money?



Q: All in all, do you have more confidence in keeping your money in a federally insured commercial bank, or in a federally insured savings and loan association, or do you have equal confidence in both?

How Should the FSLIC Be Bailed Out?



Q:As you may be aware, the Federal agency that insures deposits at savings and loans is having financial problems. Several proposals to provide new funds have been suggested. Do you think the additional funds should come from the savings and loan industry itself, federal taxes, or the seperate agency that insures commercial banks, known as the FDIC?

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Survey Finds Most Americans Continue to Trust S&Ls

Continued from Page 1

sumers questioned during March and April about their attitudes toward savings and loan associations and the S&L industry. The six-question poll was conducted by Trans Data Corp., the Salisbury, Md., research subsidiary of the company that publishes the *American Banker*.

At a time when a major topic of discussion in the Congress of the United States involves how to bolster the insolvent FSLIC, industry leaders and legislators say that the high level of loyalty shown in responses to the *American Banker*'s survey indicates a great deal of faith in the government's ability to handle the problems of the savings and loan industry.

"The bottom line is that people realize that the words federally insured mean just that. One way or the other, the federal government will stand behind that insurance," commented Kenneth McLean, staff director of the Senate Committee on Banking, Housing, and Urban Affairs.

The loyalty found in the survey, however, is expressed in the face of more than two years of declining deposit inflows at savings and loan associations, a loss that some industry experts fear could be exacerbated if consumer doubts are not nipped in the bud by swift handling of the FSLIC's problems.

Outflow from Uninsured Accounts

The latest figures from the Federal Home Loan Bank Board show a deposit outflow of $3.1 billion during the first two months of 1987, 80% of which came out of uninsured deposit accounts with balances greater than $100,000. That compares with a deposit inflow of $2.4 billion in the same period a year earlier.

For all of 1986, there was an outflow of $3.8 billion, primarily due to withdrawals from insured retail accounts of $100,000 and less. That compares with a 1985 outflow of $4.6 billion due mostly to withdrawals from uninsured deposit accounts with balances exceeding $100,000.

Those outflows are in marked contrast to deposit inflows of $63.2 billion in 1983 and $56.9 billion in 1984. All Bank Board figures are net of interest credited on deposits.

According to a report last week from the General Accounting Office, the FSLIC was $6 billion in the red on Dec. 31 as a result of liabilities it has had to assume in connection with thrift insolvencies. Meanwhile, hundreds of other thrift institutions are in need of assistance but, because of its own problems, the FSLIC cannot help. Plans to rescue the insurance fund have been under discussion in Congress for more than a year.

Congressional debate has centered on how much money is needed and where that money should come from. Last week, the House of Representatives passed a measure to provide $5 billion over two years, with the funds coming from the healthy majority of the nation's 3,200 savings and loans. Provisions of that bill will now be negotiated with the Senate, which passed a different bill earlier to provide $7.5 billion.

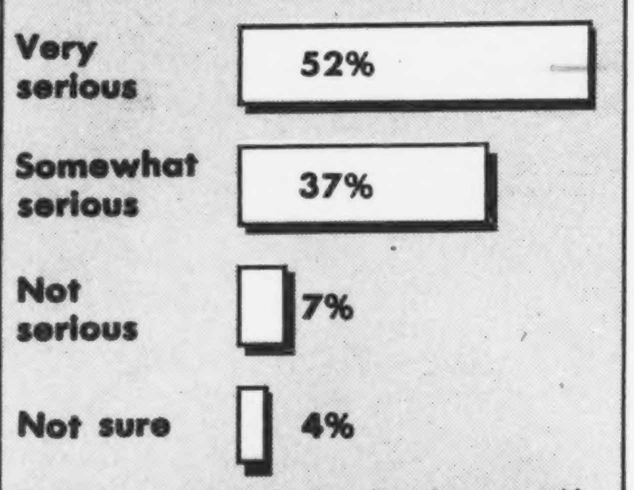
Public Looks to FDIC

Consumer confidence in the federal government's deposit insurance funds also showed up in responses to questions about where money should come from to assist the FSLIC. More people want those dollars to come from the Federal Deposit Insurance Corp. than want the S&L industry to contribute the money. Only 3% of the public votes to foot the bill by increasing federal taxes.

About that response, C.C. Hope Jr., a member of the FDIC board of directors, said, "The FDIC seems to some people to be an easy answer to a complex problem, and that is not an answer.

"The answer lies much more in trying to have a long-range plan to restore the stability of that industry than in letting some other agency take over the responsibility of providing insurance for S&Ls," Mr. Hope said.

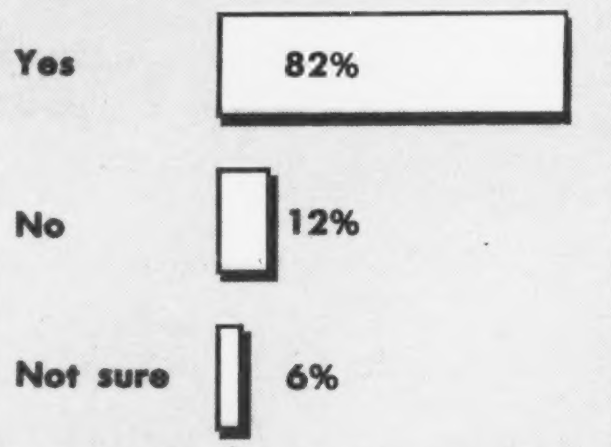
How Serious Are S&L Problems?*



Q: In your opinion, is the situation posed by the savings and loan associations that have had problems very serious, somewhat serious, or not serious?

***Responses of 60% who are aware of problems**

Are S&Ls Safe?



Q: Do you feel it is safe to keep money in a savings and loan?

The Federal Deposit Insurance Corp. traditionally has opposed a merger with the FSLIC. Only last week, L. William Seidman, chairman of the FDIC, predicted that healthy S&Ls would begin abandoning the FSLIC for the FDIC despite penalties for doing that in pending congressional legislation. He warned that any significant increase in the number of thrifts switching to the FDIC fund could mean additional premium assessments on FDIC-insured institutions.

A long-range solution to the difficulties of problem savings and loans was also advocated by William O'Connell, president of the U.S. League of Savings Institutions. Mr. O'Connell said that "the FSLIC would get well pretty fast, the FDIC would stay healthy, and we could get along with a moderate amount of cash coming from the S&L industry if the Federal Home Loan Bank Board could find better ways to stretch out the losses of institutions in some depressed states."

Last year, about 20% of the nation's savings and loans lost money, compared with 80% that were profitable. If it were not for the negative one-fifth, the industry would have had an annualized return on assets of 1.08%. Instead, the industry's aggregate ROA was 0.17%.

American Banker's recently completed poll finds that three out of five consumers are aware that some savings and loan associations have had problems, while about two in five are not.

Residents of the Northeast are less aware of savings and loan problems than residents of the West. That could be because most northeastern thrifts were chartered — until recently — as mutual savings banks. Savings and loans are more common in the West.

Men are more aware of S&L problems than women: 64% recall hearing about some S&Ls that have had problems, compared with 57% of women. More college graduates are aware than people who have not attended college. Also, people over age 55 are more aware than those under 35, and those who own their homes are more aware than renters. People from high-income households — where the earnings exceed $50,000 a year — are more aware than low-income people whose annual earnings are $20,000 or under.

Among those individuals who recall hearing about the problems of savings and loans, 89% consider the situation to be serious, while only 7% say it is not serious. More people characterize the situation as very serious than call it somewhat serious.

Even 73% of those calling the situation very serious think that it is safe to keep money in a savings and loan. More than half of those calling it very serious have just as much confidence in savings and loans as they do in commercial banks.

Of the total sample, 82% say they feel money is safe in a savings and loan and 12% say they do not. The more serious someone considers the S&L situation, the less safe they tend to consider it. Almost nine out of ten people who think S&L problems are not serious say it is safe to keep money in an S&L.

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Those who judge the situation as unsafe, however, were four times as likely to have moved their money out of savings and loans into banks than those who judge it safe. Three-fourths of respondents who call S&Ls unsafe do not use an S&L at all.

About 259 individuals surveyed — or just over 25% of the total — fall into the category of savings and loan customers who are aware of S&L problems and judge the situation serious. Compared with the overall rate of 4%, westerners in that group moved the most at a rate of 8.7%, followed by 6.8% of residents in North Central states, and 6.1% of women. Although the subgroup is small, 10.2% of renters in the group of thrift customers calling the situation serious moved funds out of an S&L. Just over half of the sample do not use a savings and loan association.

Asked which they have more confidence in — federally insured commercial banks or federally insured savings and loan associations — people who regard commercial banks as their principal financial institution have more confidence in their banks than people calling S&Ls their principal institution have in S&Ls. Thirty-seven percent of people calling commercial banks most important to them say they have more confidence in commercial banks, while only 14% who call savings and loans most important say they have more confidence in their S&Ls.

People calling savings and loans their main institution tend more than any other customer segment to have confidence in both commercial banks and S&Ls, with 75% saying they trust both equally. Only 58% of those calling commercial banks their main institution trust S&Ls as much as commercial banks.

Since mid-1985, there has been a slight decline in the number of people earning $50,000 a year and up who have more confidence in commercial banks. In 1985, 38% of them chose commercial banks and 56% had equal confidence in banks and S&Ls. In this year's survey, 28% choose commercial banks and 66% report equal confidence in banks and thrifts.

On the issue of who should bail out the FSLIC, people who call commercial banks their main institutions are slightly less eager than those calling S&Ls their main institutions to have the FDIC handle the problem. They may not want to see what they consider their insurance fund diluted by S&L problems. On the other hand, people whose principal institutions are S&Ls may seek the security that comes with the well-recognized words "FDIC insured."

Despite this minor deviation from the norm, the survey finds that most people feel as good about one federal insurance fund as they do the other.

"It's the word federal: When people see a sign on the door that says the deposits are insured federally, they are secure. It reflects the fact that nobody whose deposits are insured in a federally insured bank or federally insured S&L has ever lost a nickel in the 50 years the insurance funds have existed," Mr. McLean said. ■

How the Survey Was Conducted

The survey consisted of 981 telephone interviews of a random cross-section of the American public. Trans Data Corp., a Salisbury, Md., market research firm, and the *American Banker* developed the questions.

All interviews were conducted during March and April with "the person in the household who usually handles the finances."

The expected sampling error is plus or minus three percentage points. Subgroups that consist of smaller sample sizes have greater margins of error.

The *American Banker's* questions were asked as part of a national survey of consumer banking issues by Trans Data. Additional information, including copies of the *American Banker* survey questions, can be obtained from Howard Lax, Trans Data Corp., 530 Riverside Dr., Salisbury, Md. 21801 (301/543-4400). ■

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